

## Message Text

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21

ACTION ACDA-10

INFO OCT-01 EUR-12 NEA-09 ISO-00 PM-03 FEA-01 CIAE-00

INR-07 IO-10 L-02 NSAE-00 NSC-05 EB-07 NRC-05 OES-03

DODE-00 H-02 PA-01 PRS-01 SP-02 SS-15 NSCE-00 SSO-00

USIE-00 INRE-00 SAB-01 SAM-01 /098 W

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O R 150848Z APR 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC IMMEDIATE 1066

INFO USMISSION EC BRUSSELS

SECRET TEHRAN 3437

DEPT PASS ERDA FOR SEAMANS

E.O.11652: GDS

TAGS: USIRJC, TECH, IR

SUBJ: DRAFT AGREEMENT ON ATOMIC ENERGY

REF: TEHRAN 3306

1. IT WILL BE NOTED THAT TEXT OF INFORMAL NOTE FROM AEOI TRANSMITTED IN REFTEL DID NOT REPEAT NOT MENTION GOI OBJECTION TO ARTICLE VIII, PARA C OF DRAFT AGREEMENT. IN ORAL COMMENCES ON DRAFT BY IRANIAN OFFICIALS, THEY HAVE ALMOST INVARIABLY OBJECTED TO THIS STIPULATION THAT "REPROCESSING, FABRICATION, STORAGE OR ALTERATION SHALL BE PERFORMED IN FACILITIES ACCEPTABLE TO BOTH PARTIES."

2. WITHOUT REFERRING SPECIFICALLY TO THIS PARAGRAPH, SCIATT CONTACTED DR. ARABIAN OF AEOI APRIL 14 TO ASCERTAIN IF TEXT DELIVERED IN REFTEL WAS COORDINATED POSITION OF GOI ON DRAFT AGREEMENT. REASON SCIATT GAVE FOR QUERY WAS THAT USG HAD TO COORDINATE ITS OWN POSITION ON POINTS RAISED BY GOI BEFORE COMING TO TEHRAN FOR FURTHER DISCUSSIONS. ANSWER WAS THAT TEXT HAD BEEN PREPARED ON INSTRUCTIONS OF DR. ETEMAD BUT THAT NEITHER HE NOR

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ARABIAN HAD CHECKED FINAL COPY WHICH WAS DELIVERED TO EMBASSY. ETEMAD WILL DO SO AT EARLIEST OPPORTUNITY. ARABIAN STATED THAT WE MAY ASSUME THAT TEXT AS IT STANDS REPRESENTS CURRENT POSITION OF GOI. HE ADDED THAT THIS DOES NOT EXCLUDE POSSIBILITY THAT OTHER

POINTS MAY BE BROUGHT UP LATER.

3. COMMENT: BELIEVE ABSENCE OF OBJECTION TO PARA C OF ARTICLE 8 WAS PROBABLY INADVERTENT SINCE SOVEREIGN CONTROL OF ENTIRE FUEL CYCLE HAS BEEN A CARDINAL OBJECTIVE OF GOI IN ALL DISCUSSIONS HELD UP TO DATE. WE BELIEVE THEREFORE THAT WE MUST BE PREPARED TO ADDRESS THIS QUESTION HEAD-ON BY FIRST DROPPING OUR INSISTENCE ON A US VETO OVER REPROCESSING IN DOING SO, HOWEVER, WE MIGHT CONSIDER OFFERING TO JOIN GOI IN THE CONSTRUCTION AND OPERATION OF A REPROCESSING PLANT IN IRAN AND THROUGH THIS PARTICIPATION ACQUIRE A VOICE IN MANAGEMENT DECISIONS INCLUDING THE SALE OF PLANT OUTPUT. OUR PARTICIPATION AGREEMENT COULD CONTAIN A COMMITMENT THAT THE FACILITY WOULD REMAIN UNDER SAFEGUARDS EVEN THOUGH IT MIGHT BE NATIONALIZED OR EVEN THOUGH IRAN MIGHT WITHDRAW FROM THE NPT.

4. WITH RESPECT TO THE GENERAL PROPOSITION THAT THERE ARE UNACCEPTABLE RISKS TO THE UNITED STATES IN PROVIDING IRAN WITH ENRICHED FUEL, NUCLEAR REACTORS, AND POSSIBLY EVEN A REPROCESSING FACILITY WITHOUT PROVIDING FOR SAFEGUARDS WHICH GO BEYOND THOSE CONTAINED IN US AGREEMENTS WITH OTHER NPT SIGNATORIES, WE WOULD NOTE THE FOLLOWING:

(A) APART FROM BEING AN EARLY SIGNATORY TO THE NPT, IRAN HAS CONSISTENTLY, AND WE THINK SINCERELY, PRESSED FOR ESTABLISHMENT OF THE NUCLEAR FREE ZONE IN THIS PART OF THE WORLD.

(B) IT NOW HAS ALTERNATIVE SUPPLIER OPTIONS WHICH IT COULD TURN TO WITH AN ESTIMATED LOSS TO THE UNITED STATES OF \$6 TO 8 BILLION FOR NUCLEAR REACTORS, FUEL SUPPLY AND A POSSIBLE CONTRIBUTION TO A URANIUM ENRICHMENT FACILITY.

(C) INSISTENCE ON SAFEGUARDS AND/OR CONTROLS BEYOND THOSE APPLICABLE TO OTHER NPT COUNTRIES WOULD CLEARLY BE REGARDED AS AN AFFRONT TO THE SHAH'S INTEGRITY, AN ENCROACHMENT ON NATIONAL SOVEREIGNTY AND A LACK OF GOOD FAITH WHICH COULD BRING INTO QUESTION THE WHOLE RANGE OF OUR CLOSE AND MUTUAL ADVANTAGEOUS TIES WITH IRAN.

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(D) GIVEN AVAILABLE ALTERNATIVE OPTIONS WHOSE DEVELOPMENT IS LIKELY TO BE ACCELERATED RAPIDLY IF THE US OPTS OUT OF THE NUCLEAR SUPPLY FIELD, WE BELIEVE THE PREFERRED COURSE OF ACTION IS TO ENTER INTO A CLOSE RELATIONSHIP WITH IRAN WHICH WOULD HAVE US AS ITS PRINCIPAL SUPPLIER FOR FUEL AND PLANT. ONCE SO SITUATED, OUR ULTIMATE SANCTION AGAINST AN IRANIAN DESIRE TO DEVELOP A NUCLEAR WEAPON CAPABILITY WOULD BE THE CUTOFF OF FUEL AND PLANT MAINTENANCE AND REPLACEMENT PARTS. SUCH A SANCTION, AFFECTING IRNA'S MOST VITAL INTERESTS IN A SITUATION IN WHICH A SUBSTANTIAL PART OF ITS ECONOMY WAS DEPENDENT ON THE CONTINUED OPERATION OF ITS NUCLEAR ENERGY PLANTS, WOULD COMPLEMENT AND REINFORCE THE OTHER DETERRENTS BUILT INTO NPT, IAEA AND THE BILATERAL AGREEMENT.

5. AS WE REVIEW THE RANGE OF IMPORTANT SUBSTANTIVE ACHIEVEMENTS THAT MIGHT BE THE CENTERPIECE OF THE SHAH'S FORTHCOMING VISIT TO WASHINGTON, A NUCLEAR COOPERATION AGREEMENT SEEMS BY FAR THE MOST DESIRABLE AND FEASIBLE. WE CAN WELL APPRICIATE THE CONGRESSIONAL AND PUBLIC RELATONS DELICACY OF THIS MATTER AND WOULD CERTAINLY URGE THE MOST CAREFUL GROUNDWORK BE LAID TO ENSURE A FAVORABLE REACTION TO THE ANNOUNCEMENT OF THE NUCLEAR COOPERATION AGREEMENT. IF IT IS UNLIKELY THAT SUCH GROUNDWORK CAN BE LAID BEFORE THE SHAH'S VISIT, WE BELIEVE IT SUFFICIENT TO HIS AND OUR PURPOSES THAT WE REACH AGREEMENT PRIVATELY DURING THE VISIT. CONGRESSIONAL AND PUBLIC RELATIONS ACTIVITIES COULD FOLLOW.

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